

JEB SPAULDING
STATE TREASURER

RETIREMENT DIVISION
TEL: (802) 828-2305
FAX: (802) 828-5182



ABANDONED PROPERTY DIVISION
TEL: (802) 828-2407

ACCOUNTING DIVISION
TEL: (802) 828-2301
FAX: (802) 828-2884

**STATE OF VERMONT
OFFICE OF THE STATE TREASURER**

**REQUEST FOR PROPOSALS
TO PROVIDE
PROXY VOTING SERVICES**

VERMONT STATE EMPLOYEES' RETIREMENT SYSTEM

**VERMONT STATE TEACHERS' RETIREMENT SYSTEM
STATE OF VERMONT**

OFFICE OF THE VERMONT STATE TREASURER

Issued October 13, 2003

Submission Deadline: November 10, 2003, by 2:00 p.m.

133 STATE STREET ? MONTPELIER, VERMONT 05633-6200
TREASURER: (802) 828-2301 ? TOLL-FREE (in VT only): 1-800-642-3191
www.tre.state.vt.us

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I. BACKGROUND and PURPOSE

The Boards of Trustees of the Vermont State Employees' Retirement System and Vermont State Teachers' Retirement System (referred to as VRS in this document), and the Office of the Vermont State Treasurer are seeking proposals from qualified firms to provide specified proxy voting and monitoring services for the two retirement pension funds above and the Vermont Trust Investment Account.

The VRS and Office of the Treasurer are considering a revision in policy and practice related to proxy voting. Currently, proxy-voting responsibilities are delegated from the VRS and the Treasurer's Office to external investment managers with very little guidance. The revision of policy and practice under consideration would have the VRS and the Office of the Treasurer develop explicit proxy voting guidelines, request managers to vote their proxies according to those guidelines, and implement a process for monitoring how managers actually vote these proxies. The selected bidder will be expected to develop proxy voting guidelines acceptable to the VRS and the Office of the Treasurer, provide ongoing monitoring reports of manager voting, and provide occasional advice on related issues.

Retirement Operations Information:

Administration of the VRS is conducted by the Office of the State Treasurer, under the direct supervision of the Director of Retirement Operations.

The Director of Finance and Investments provides investment advice, administration, and oversight to the VRS and the Office of the State Treasurer.

New England Pension Consultants is retained as Pension Consultant for the VRS.

State Street Bank is Custodian of the VRS assets.

The Vermont State Treasurer is a member of both retirement system boards.

Investment and Proxy Volume Data:

The Vermont State Employees' Retirement System has assets of \$917 million, including domestic equities of \$408 million, as of June 30, 2003. It has 713 share positions. A share position is a single holding by a manager. There is overlap whereby a company may be held by more than one manager, creating multiple share positions for one company. The Vermont State Teachers' Retirement System has assets of \$1,098 million, including domestic equities of \$494 million, as of June 30, 2003. It has 659 share positions.

In addition, the Legislature authorized a trust investment account, to be administered by the State Treasurer, for the purposes of investing trust endowment funds. The balance as of June 30, 2003, is \$37.3 million with, approximately 24% in equities. It has approximately 80 different share positions in its portfolio, of which approximately 10% are international.

The above volume data are estimates only. The Office of the State Treasurer and VRS make **no guarantee that any products or services will be purchased** from any contract resulting from this RFP.

Any estimates and/or past or current procurement volumes referenced in this RFP are included only for the convenience of bidders, and are not to be relied upon as any indication of future levels.

II. SCOPE OF WORK

General Scope and Business Specifications:

The scope of the assignment would be to assist the VRS and Office of the Treasurer in carrying out proxy voting responsibilities and related activities. The objective would be to employ a firm to help the Treasurer's Office and the VRS develop and maintain current proxy voting guidelines. The Treasurer's Office and the VRS would then direct investment managers to vote proxies consistent with those guidelines. In addition, the selected bidder would provide monitoring reports indicating how the investment managers voted relative to the guidelines. Essential services may include, but are not limited to the following:

1. Development and maintenance of customized proxy-voting guidelines based on a select set of issues identified by the VRS and Office of the State Treasurer. This may include one common set of guidelines for all three investment entities or, depending on circumstances, up to three sets of guidelines – one for each entity.
2. Provide monitoring audit reports to the State Treasurer and the VRS on the performance of investment managers in the voting of the proxies consistent with guidelines.
3. Provision of advice, counsel, and research on proxy voting matters identified by the VRS and the Office of the Treasurer.

The Office of the State Treasurer and VRS reserve the right to review the range of services provided and add or delete specific items from the referenced proxy service configuration.

Minimum Qualifications:

A firm must satisfy each of the following minimum qualifications in order to be considered for the contract award:

- A. Demonstration by the firm of at least two pension fund clients with a minimum of \$500 million assets each.
- B. At least one of these clients must be a public pension plan.

Additional Requirements:

The selected bidder must assert or agree to the following:

- A. The selected bidder shall agree to provide proxy-monitoring services in a manner acceptable to the Treasurer's Office and the VRS and as stipulated in the RFP and the contract.
- B. The selected bidder will attest that its firm and key professionals do not have or anticipate a potential conflict of interest with the Office of the State Treasurer, the VRS, relevant investment managers, or publicly traded corporations subject to proxy votes by the VRS and Office of the Treasurer.

Shipping and Delivery Fee Exemption:

All items covered under this contract are exempt from duplicating, shipping, and related administrative charges. The bidder must not include shipping charges on any invoice.

Confidential Information:

The bidder agrees that all discussions or information gained during an engagement shall be considered confidential and that no information gathered by the bidder shall be released without prior consent of the Treasurer's Office.

Reports: The bidder must make available all deliverables to the Office of the State Treasurer and VRS as scheduled unless advised in writing of a change in schedule.

Schedule and Pricing:

- A. Vendors must provide a preliminary schedule to accomplish the services, activities, and tasks to produce the deliverables required.
- B. The contractor will state a fee rate for services by unit of service or product, with a stated maximum contract obligation.

Staffing: Using all information contained in or referenced in this RFP and its prior experience, the selected bidder must provide a staffing plan identifying key personnel and their qualifications.

III. Terms and Conditions for Submission of Proposals

The purpose of this section is to state the terms and conditions that will govern the submission of responses to the State in response to this Request for Proposals.

Proposal Inquiries:

All inquiries concerning this RFP shall be made in writing, citing the RFP Title, Page, Section, and Paragraph, and shall be submitted to:

David Minot
Director of Finance and Investments
Office of the State Treasurer
133 State Street
Montpelier, VT 05633-6200
E-mail: dminot@tre.state.vt.us

Vendors are encouraged to submit questions via email.

Any individuals and/or firms that intend to submit a response are prohibited from contacting any employees of the Office of the State Treasurer and the VRS other than the contact person. An exception to this rule applies to individuals or firms that currently do business with the Office of the State Treasurer and the VRS, but shall be limited to that business and should not relate to this RFP. **Failure to observe this rule may result in disqualification.** Furthermore, no other individual employee or representative of the State of Vermont is authorized to provide any information or respond to any question or inquiry concerning this RFP other than as described herein.

All inquiries must be received no later than the date specified in this section. Inquiries received after this date and time will be addressed only if they are deemed by the Office of the Treasurer to be critical to the competitive selection process. An official written answer will be provided to all questions meeting these requirements.

In an effort to provide a fair process and complete information, all written questions and the response will be summarized in a fact sheet that will be available to any potential respondent and posted on the Treasurer's website (www.tre.state.vt.us). Similar inquiries will be consolidated into one question. The name(s) of the firms submitting the questions will not be listed.

Any proposal determined to be non-responsive to the specifications or other requirements of this RFP, including instructions governing format, may be disqualified without evaluation. The Office of the State Treasurer and VRS shall reserve the right to clarify and seek supplemental information to any proposal submitted.

Any change to or interpretation of the RFP by the Office of the State Treasurer and VRS will be posted on the website for the State Treasurer (www.tre.state.vt.us). Potential bidders are encouraged to check this site frequently for any additions, clarifications, or revisions to the document.

Calendar:

The following is the tentative time schedule for the selection of a vendor to provide the services described herein. All dates are subject to modification by the Office of the State Treasurer and VRS with notice.

Issuance of RFP	October 13, 2003
Question Deadline	October 20, 2003
Question Response Deadline	October 24, 2003
RFP Response Deadline	November 10, 2003
Oral Presentations	As Needed
Board Review and Approval (State and Teachers)	November 19&20, 2003
Approximate Contract Award Date	November 21, 2003

No Respondent Conference:

No formal Bidders' Conference will be held. Questions may be directed to the Director of Finance and Investments as noted above.

Financial Responsibility:

The respondent understands and agrees that the State shall have no financial responsibility for any costs incurred by the respondent in responding to this RFP.

The successful bidder shall be solely responsible for meeting all terms and conditions specified in the RFP, its proposal, and any resulting contract. The Office of the State Treasurer and the VRS shall approve any subcontractor in advance.

The vendor's signature on a proposal submitted in response to this RFP guarantees that the prices quoted have been established without collusion with other eligible vendors and without effort to preclude the Treasurer's Office and VRS from obtaining the best possible competitive proposal.

Number of Response Copies:

Please submit five (5) copies of your response to:

**David Minot
Director of Finance and Investments
Office of the VT State Treasurer
133 State Street
Montpelier, VT 05633-6901**

All responses must be delivered to the above office on or before November 10, 2003, at 2:00 p.m., Vermont local time. Responses received after the above date and time will not be considered.

All material received in response to this RFP shall become the property of the Office of the State Treasurer and VRS, and will not be returned to the vendor. Regardless of the bidder selected, the Vermont Retirement System reserves the right to use any information presented in a proposal. The content of each vendor's proposal shall become public information once a contract has been awarded.

Oral Presentations:

The Office of the State Treasurer and the VRS shall have the option to invite the bidders to make oral presentations. Oral presentations provide an opportunity to evaluate a bidder through the presentation of its proposal. The Office of the State Treasurer and VRS may limit the number of oral presentations conducted. Bidders will not be informed of their rank at the time of the oral presentations.

The time allotments and the format shall be the same for all oral presentations. Bidders will be given notice of at least two (2) business days prior to the date of an oral presentation. The Office of the State Treasurer and the VRS may waive the location and medium requirements of an oral presentation upon the written request of a bidder due to special hardships, such as a bidder with disabilities or limited resources. In these circumstances, the Office of the State Treasurer and VRS may conduct oral presentations through an alternative written or electronic medium (e.g., telephone, video conference, TTY, or Internet).

A bidder is limited to the presentation of material contained in its proposal, with the limited exception that a bidder may address specific questions posed by a procurement team or provide clarification of information contained in its proposal. Any correction or modification of the proposal or the presentation of supplemental information shall be considered prejudicial to the interests of other bidders and fair competition, and shall not be permitted.

Effective Period of Responses:

Responses must remain in effect for at least 120 days from the submission deadline and thereafter until either the bidder withdraws the response in writing, a contract is executed, or the RFP is canceled, whichever occurs first.

Disqualification of Proposals:

- A. Late Proposals: Proposals that are received after the deadline date and time shall be automatically disqualified.
- B. Non-responsive Proposals: Proposals that are not responsive or that fail to comply with mandatory requirements of the RFP shall be deemed non responsive and shall be disqualified. Non-responsive proposals shall include, but not be limited to, those that fail to address or meet any mandatory item, and those submitted in insufficient number or in incorrect format.
- C. Collusion: Collusion by two or more bidders agreeing to act in a manner intended to avoid or frustrate fair and open competition is prohibited, and shall be grounds for rejection or disqualification of a proposal or termination of a contract.
- D. Debarred Bidders or Subcontractors: A bidder who is currently subject to any Vermont or federal debarment order or determination shall not be considered for evaluation. If a bidder's proposal is dependent upon the services of a named subcontractor and the disqualification of this named subcontractor would materially alter the proposal, then that proposal shall be deemed unresponsive if the named subcontractor is found to be debarred.

Right of Rejection by the State:

Notwithstanding any other provisions of this RFP, the State reserves the right to reject all responses, to waive any irregularity or informality in a response, and to accept or reject any item or combination of items, when to do so would be to the advantage of the VRS or the State of Vermont. It is further within the right of the State to reject responses that do not contain all elements and information requested in this document.

Contract Negotiations:

After a review of the responses and possible oral presentations, the VRS and the Office of the Treasurer intend to enter into contract negotiations with one firm. Those negotiations could include all aspects of services and fees, or the contract awards may be for segments, phases, or specific tasks associated with a proposal. The VRS and the Office of the Treasurer reserve the right to elect to award contracts of a limited scope for portions of this RFP as stated above. Vendors are therefore encouraged to detail the pricing associated with their proposal so that costs are indexed to specific tasks or project phases. This will allow the VRS and Office of the Treasurer to fairly evaluate and rank competitive proposals on individual components of the proposal if it is deemed in their best interest to do so.

If a contract is not finalized in a reasonable period of time, the VRS and Office of the Treasurer will open negotiations with the next ranked firm.

Award of Contract(s):

The respondent to whom the contract(s) is/are awarded shall be required to enter into a written contract in a form approved by the Vermont Attorney General. This RFP and the response, or any part thereof, may be incorporated into and made a part of the final contract. Customary State contract provisions are contained in Appendix B. However, the State reserves the right to negotiate the terms and conditions of the contract.

Contract Duration:

The VRS and the Office of the Treasurer intend to enter into a contract agreement for a two-year period, with the option to extend the contract agreement for up to two additional one-year periods, based on mutually acceptable terms.

Terms and Conditions Agreement:

In addition to any other requirements defined in this RFP, should a contract be awarded, the selected bidder is required to comply with the State of Vermont Standard Contract Terms and Conditions.

IV. ESSENTIAL ELEMENTS OF PROPOSAL

The bidder must explicitly respond to all sections of Appendix A, Essential Elements of Proposal. All responses should be concise and well organized, and provide sufficient detail to allow the evaluators to clearly determine the benefit of the vendor's offering.

If company product literature or other publications are attached and intended to be used in direct response to an RFP requirement, the response must include reference to the document name and page number.

V. EVALUATION CRITERIA

The factors to be used in evaluating the responses will include, but are not limited to, the following:

1. Experience (quantity, quality, and timeliness) of the firm and its staff with providing services to other states or public entities with similar pension programs.
2. Qualifications of staff to be assigned to the State of Vermont account. Particular attention will be paid to relevant experience with public entities.
3. Proposed fees and compensation.
4. Quality and conciseness of responses.
5. The ability to provide the requested services.
6. Quality of references.
7. The value of any new product, service suggestions, or other new ideas and enhancements.
8. Financial stability and ability to provide long-term service.

Fees and compensation will be an important factor in the evaluation of responses. However, the Office of the State Treasurer and the VRS are not required to select the low cost bidder but may select the bid that demonstrates the "best value" overall, including proposed alternatives, and that meets the objectives of this RFP. The Office of the State Treasurer and the VRS reserve the right to negotiate a change in any element of contract performance or cost identified in the RFP.

ATTACHMENT A

Essential Elements of Proposal

Essential Elements of Proposal

The purpose of the following section is to identify the information that should be submitted in response to this RFP and the order in which it should appear in the response. The purpose of the bidder's response is to demonstrate capacity, qualifications, and competence to provide the services outlined in this RFP.

Part I - Cover Letter

The response should contain a cover letter and introduction, including: the company name, and address, and the name and telephone number of the person or persons authorized to represent the respondent regarding all matters related to the response. The cover letter should also contain the following statement:

"We have read the State's *Request for Proposals (RFP) to Provide Proxy Management Service* and fully understand its intent. We certify that we have adequate personnel, equipment, and facilities to provide the State's requested services that we have indicated we can meet. We understand that our ability to meet the criteria and provide the required services shall be judged solely by the Office of the State Treasurer and the Board of Trustees of the Vermont State Employees' Retirement System and the Vermont State Teachers' Retirement System.

In addition, the cover letter must certify that:

1. The response is genuine, and is not a sham or collusive.
2. The response is not made in the interest of or on the behalf of any person not named therein.
3. The bidder has not directly or indirectly induced or solicited any person to submit a false or sham response or to refrain from submitting a proposal.
4. The bidder has not in any manner sought by collusion to secure an advantage over any other respondent.
5. The bidder has thoroughly examined the RFP requirements and proposed fees cover all the services that we have indicated
6. The bidder acknowledges and accepts all terms and conditions included in the RFP.
7. The bidder provides proxy services to at least two pension fund clients with a minimum of \$500 million in assets each. Please identify those clients.
8. At least one of the firm's clients is a public pension plan. Please identify the client.
9. The bidder agrees to provide proxy-monitoring services in a manner acceptable to the Treasurer's Office and the VRS and as stipulated in the RFP and subsequent contract.
10. The bidder and key professionals do not have or anticipate a potential conflict of interest with the Office of the State Treasurer, the VRS, relevant investment managers, or publicly traded corporations subject to proxy votes by the VRS and the Office of the Treasurer.

A person authorized to bind the firm to all commitments made in its response shall sign this letter.

Part II - Potential Services to be Provided by Selected Bidder

Indicate whether your firm can provide the services indicated below and submit these pages with your response. Additional explanation should be included in Part III below.

DEVELOPMENT AND MAINTENANCE OF PROXY VOTING GUIDELINES

1. Assist the VRS and Office of the Treasurer in developing proxy vote guidelines.	Yes		No	
2. Provide assistance with annual updates of proxy vote guidelines.	Yes		No	

TRACKING SYSTEM

1. Identify upcoming proxy votes by holding.	Yes		No	
2. Provide the shareholder meeting calendar.	Yes		No	
3. Provide history of voting by other funds on selected issues.	Yes		No	
4. Report the final vote tally on all proxy resolutions voted on behalf of VRS and Office of the Treasurer.	Yes		No	

MANAGER MONITORING

1. Provide regular reports documenting performance of managers in voting consistent with proxy guidelines.	Yes		No	
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VOTE RECOMMENDATION

1. Provide vote recommendations on specific proxy questions identified by VRS and the Office of the Treasurer.	Yes		No	
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Part III - Narrative Outline

Describe the proxy voting services your firm is prepared to provide to the Office of the State Treasurer and VRS. Also, briefly describe any other related services your firm can provide that have not been fully described in your response.

Part IV - Description of Firm

1. HISTORY

- a. What is your firm's complete name, address, voice telephone, email, and fax numbers? Include the name and title of your proposed primary consultant and the location from which the consulting work will be done.
- b. Briefly, what is your firm's corporate history? Within the past three years, have there been any significant developments in your organization, such as changes in ownership, restructuring, or personnel reorganizations? Do you anticipate future significant changes in your organization? If yes, please describe.

2. OWNERSHIP

- a. Describe the ownership structure of your firm, giving specific details with regard to any parent or affiliates.
- b. Include an ownership organizational chart. Show and describe, if any, the distinct lines of business of your firm that are in addition to your investment consulting business.

3. ORGANIZATION

- a. Describe the line(s) of business of your firm, any parent organization, and any affiliated companies.
- b. Within the last five years, has your firm or any officer or principal been involved in any business litigation or other legal proceedings relating to your consulting activities? If so, provide an explanation and indicate the current status or disposition.
- c. Please describe the level of coverage for errors and omissions insurance and any fiduciary or professional liability insurance your firm carries. List the insurance carrier(s) supplying the coverage.

4. ORGANIZATION RELATIONSHIPS

- a. Does your firm, its parent, or affiliate sell information or any other services to corporate clients? If so, describe the nature of these services (by class of client), in detail.
- b. Describe your procedures regarding the avoidance of conflicts of interest between corporate and institutional clients.

5. EMPLOYEES

- a. Provide biographies or résumés of the key individuals who would be assigned to our account.
- b. List senior staff hires and departures over the last three years.
- c. Provide data relating to turnover ratios of your research and technical staff over the last three years.
- d. List employees who would be assigned to this engagement and the extent of their proxy voting and/or plan sponsor experience. Please give details.

7. **CURRENT CLIENTS**

- a. Please provide the names, portfolio sizes, and length of engagements for the client base using your services for: (a) proxy voting services only; (b) research services only; and (c) both types of services.
- b. Please provide a current list of the appropriate contact at each client organization. After first informing you of our intentions, the Office of the Treasurer may contact any of these clients as references.
- c. Disclose how many public clients your firm provides voting services to. List three public clients as references, including contact names, addresses, and phone numbers.

8. **FORMER CLIENTS**

Please provide the names of all clients who have terminated your firm's services in the last three years. In each case, detail the reason for termination.

9. **NEW CLIENTS**

Please provide the names of all new client relationships gained in the last three years.

PART V - FEE SCHEDULE

Please provide a quote of your annual proposed fees, in maximum dollar ceilings for the full range of services specified in the RFP. In each case, please provide a maximum fee based on joint service for all three entities (State Retirement System, Teachers' Retirement System, Trust Investment Account), and based on separate guidelines and services for all three entities. Please also provide quotes for any additional services. If there are one-time services in the first year, please itemize those separately.

The bidder should use the following format to submit cost proposal:

Service:	Year 1 Maximum Fee	Year 2 Maximum Fee	Optional Renewal Period (up to two 1-year renewals)
a. Development and maintenance of Proxy Voting Guidelines	Joint Rate: Separate:	Hourly Rate: Maximum:	Hourly Rate: Maximum:
b. Tracking System	Hourly Rate: Maximum:	Hourly Rate: Maximum:	Hourly Rate: Maximum:
c. Manager monitoring	Hourly Rate: Maximum:	Hourly Rate: Maximum:	Hourly Rate: Maximum:
d. Vote Recommendation	Hourly Rate: Maximum:	Hourly Rate: Maximum:	Hourly Rate: Maximum:
e. Other services described in the narrative (specify)	Hourly Rate: Maximum:	Hourly Rate: Maximum:	Hourly Rate: Maximum:

ATTACHMENT B**STANDARD CONTRACT PROVISIONS**

STATE OF VERMONT

Contract # _____

STANDARD CONTRACT FOR PERSONAL SERVICES

1. **Parties:** This is a contract for personal services between the State of Vermont _____ (hereafter called "State"), and _____ with _____ principal place of business in _____ (hereafter called "Contractor"). Contractor's form of business organization is _____. Contractor (is/is not) required by law to have a Business Account Number from the Vermont Department of Taxes. Account Number is (# _____/not required by law).
2. **Subject Matter:** The subject matter of this contract is personal services generally on the subject of _____. Detailed services to be provided by the Contractor are described in Attachment A.
3. **Maximum Amount:** In consideration of the services to be performed by Contractor, the State agrees to pay Contractor, in accordance with the payment provisions specified in Attachment B, a sum not to exceed \$_____.00.
4. **Contract Term:** The period of Contractor's performance shall begin on _____, 20____, and end on _____, 20____.
5. **Prior Approvals:** If approval by the Attorney General's Office or the Secretary of Administration is required (under current law, bulletins, and interpretations), neither this contract nor any amendment to it is binding until it has been approved by either or both such persons.
 - Approval by the Attorney General's Office is/is not required.
 - Approval by the Secretary of Administration is/is not required.
6. **Amendment:** No changes, modifications, or amendments in the terms and conditions of this contract shall be effective unless reduced to writing, and numbered and signed by the duly authorized representative of the State and Contractor.
7. **Cancellation:** This contract may be canceled by either party by giving written notice at least ____ days in advance of the proposed cancellation date.
8. **Attachments:** This contract consists of ____ pages including the following attachments, which are incorporated herein:

Attachment A – Specifications of Work to be Performed
 Attachment B – Payment Provisions
 Attachment C – "Customary State Contract Provisions" (revision date 2/95).
 Attachment D – Standards of Conduct

Contract # _____

WE, THE UNDERSIGNED PARTIES, AGREE TO BE BOUND BY THIS CONTRACT.by the **STATE OF VERMONT:**by the **CONTRACTOR:**

Date: _____

Date: _____

Signature: _____

Signature: _____

Name/Title: _____

Name/Title: _____

Agency: _____

Fed ID/S. Sec# _____

**STATE OF VERMONT
CONTRACT FOR PERSONAL SERVICES**

**ATTACHMENT A
SPECIFICATIONS OF WORK TO BE PERFORMED**

(Insert Attachment A)

**STATE OF VERMONT
CONTRACT FOR PERSONAL SERVICES**

**ATTACHMENT B
PAYMENT PROVISIONS**

(Insert Attachment B)

**STATE OF VERMONT
CONTRACT FOR PERSONAL SERVICES**

**ATTACHMENT C
CUSTOMARY STATE CONTRACT PROVISIONS**

1. **Entire Agreement:** This contract represents the entire agreement between the parties on the subject matter. All prior agreements, representations, statements, negotiations, and understandings shall have no effect.
2. **Applicable Law:** This contract shall be governed by the laws of the State of Vermont.
3. **Appropriations:** If this contract extends into more than one fiscal year of the State (July 1 to June 30) and if appropriations are insufficient to support this contract, the State may cancel at the end of the fiscal year, or otherwise upon the expiration of existing appropriations authority.
4. **No Employee Benefits for the Contractor:** The Contractor understands that the State will not provide any individual retirement benefits, group life insurance, group health and dental insurance, vacation and sick leave, worker's compensation, or other benefits or services available to State employees, nor will the State withhold any State or Federal taxes. The Contractor understands that all tax returns required by the Internal Revenue Code and the State of Vermont, including, but not limited to, income, withholding, sales and use, and rooms and meals, must be filed by the Contractor, and information as to contract income will be provided by the State of Vermont to the Internal Revenue Service and the Vermont Department of Taxes.
5. **Independence, Liability:** The Contractor will act in an independent capacity and not as officers or employees of the State. The Contractor shall indemnify, defend, and hold harmless the State and its officers and employees from liability and any claims, suits, judgments, and damages arising as a result of the Contractor's acts and/or omissions in the performance of this contract.
6. **Insurance:** Before commencing work on this contract, the Contractor must provide certificates of insurance to show that the following minimum coverages are in effect. It is the responsibility of the Contractor to maintain current certificates of insurance on file with the State through the term of the contract.

Worker's Compensation: With respect to all operations performed, the Contractor shall carry worker's compensation insurance in accordance with the laws of the State of Vermont.

General Liability and Property Damage: With respect to all operations performed under the contract, the Contractor shall carry general liability insurance having all major divisions of coverage including, but not limited to:

Premises - Operations
Independent Contractor's Protective
Products and Completed Operations
Personal Injury Liability
Contractual Liability

The policy shall be on an occurrence form and limits shall not be less than:

\$1,000,000 Per Occurrence
 \$1,000,000 General Aggregate
 \$1,000,000 Products/Completed Products Aggregate
 \$50,000 Fire Legal Liability

Automotive Liability: The Contractor shall carry automotive liability insurance covering all motor vehicles, no matter the ownership status, used in connection with the contract. Limits of coverage shall not be less than \$1,000,000 Combined Single Limit.

No warranty is made that the coverages and limits listed herein are adequate to cover and protect the interests of the Contractor for the Contractor's operations. These are solely minimums that have been set to protect the interests of the State.

7. Reliance by the State on Representations: All payments by the State under this contract will be made in reliance upon the accuracy of all prior written representations by the Contractor, including but not limited to bills, invoices, progress reports, and other proofs of work.

8. Records Available for Audit: The Contractor will maintain all books, documents, payrolls, papers, accounting records, and other evidence pertaining to costs incurred under this agreement and make them available at reasonable times during the period of this contract and for three years thereafter for inspection by any authorized representatives of the State or Federal Government. If any litigation, claim, or audit is started before the expiration of the three-year period, the records shall be retained until all litigation, claims, or audit findings involving the records have been resolved. The State, by any authorized representative, shall have the right at all reasonable times to inspect or otherwise evaluate the work performed or being performed under this contract.

9. Fair Employment Practices and Americans with Disabilities Act: The Contractor agrees to comply with the requirements of Title 21 V.S.A. Chapter 5, Subchapter 6, relating to fair employment practices, to the full extent applicable. Contractor shall also ensure, to the full extent required by the Americans with Disabilities Act of 1990, that qualified individuals with disabilities receive equitable access to the services, programs, and activities provided by the Contractor under this contract. Contractor further agrees to include this provision in all subcontracts.

10. Set Off: The State may set off any sums which the Contractor owes the State against any sums due the Contractor under this contract; provided, however, that any set off of amounts due the State of Vermont as taxes shall be in accordance with the procedures more specifically provided hereinafter.

11. Taxes Due to the State:

- a. Contractor understands and acknowledges responsibility, if applicable, for compliance with State tax laws, including income tax withholding for employees performing services within the State, payment of use tax on property used within the State, and corporate and/or personal income tax on income earned within the State.
- b. Contractor certifies under the pains and penalties of perjury that, as of the date the contract is signed, the Contractor is in good standing with respect to, or in full compliance with, a plan to pay any and all taxes due the State of Vermont.

c. Contractor understands that final payment under this contract may be withheld if the Commissioner of Taxes determines that the Contractor is not in good standing with respect to, or in full compliance with, a plan to pay any and all taxes due to the State of Vermont.

d. Contractor also understands the State may set off taxes (and related penalties, interest, and fees) due to the State of Vermont, but only if the Contractor has failed to make an appeal within the time allowed by law, or an appeal has been taken and finally determined and the Contractor has no further legal recourse to contest the amounts due.

12. **Child Support:** (Applicable if the Contractor is a natural person, not a corporation or partnership.) Contractor states that, as of the date the contract is signed, he/she:

- a. is not under any obligation to pay child support; or
- b. is under such an obligation and is in good standing with respect to that obligation; or
- c. has agreed to a payment plan with the Office of Child Support Services and is in full compliance with that plan.

Contractor makes this statement with regard to support owed to any and all children residing in Vermont. In addition, if the Contractor is a resident of Vermont, Contractor makes this statement with regard to support owed to any and all children residing in any other state or territory of the United States.

13. **Subcontractors:** Contractor shall not assign or subcontract the performance of this agreement or any portion thereof to any other contractor without prior written approval of the State. Contractor also agrees to include in all subcontract agreements a tax certification in accordance with Paragraph 11 above.

14. **No Gifts or Gratuities:** Contractor shall not give title or possession of any thing of substantial value (including property, currency, travel and/or education programs) to any officer or employee of the State during the term of this contract.

15. **Copies:** All written reports will be printed using both sides of the paper.

Notwithstanding any other provision in this contract, the parties understand that this contract is a public record.

- End -